

Issue Specific Explanations of China-ASEAN Relationship:
Applying the Realist and Constructivist Assumptions

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Submitted to the graduate degree program in Political Science and the Graduate Faculty of
the University of Kansas in partial fulfillment of the requirements for the degree of
Master of Arts.

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Date Defended: August 3, 2010

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Date approved: A u g u s t 3 , 2 0 1 0

Abstract

China's growing economic power combined with emerging Asian community is not only gradually enabling Asia to be one of the most important economic regions in the world, but also changing the international structure that was largely dominated by the United States since the end of World War II. China's participation in ASEAN is the most important institutional organization in Southeast Asian cooperation and a critical arena for China to engage Southeast Asian countries. This has aroused the attention of many scholars. Is China's regional foreign policy behavior becoming more cooperative and inclusive through the socialization influence of ASEAN participation? Or is China using ASEAN to extend its influence and dominate the Asian region? This debate mainly takes place between realist and constructivist. In fact, there is a sharp division among these scholars regarding China's foreign policy intent in Southeast Asian region. The China-ASEAN relationship is

Acknowledgement

During my study in University of Kansas, the most important person is my advisor Dr. Kennedy. Dr. Kennedy kindly provided me lots of helps. He is the most energetic and enthusiastic teacher I have ever seen. I am very lucky to meet a fantastic advisor such as him. I appreciate Dr. Kaarbo for offering helpful comments for this thesis. I also benefited from her course Foreign Policy Analysis, which inspires me during my writing. I also appreciate Dr. Wu's critics. He has instructed me to study some important courses in economics. His instruction lets me learn economics efficiently and enhance my interest in economics.

My wife Chun-ying strongly supported me to study in the U.S. and kept encouraging me all the time. Without her support and sacrifice, I could not concentrate on my study and go smoothly at KU. Her sister Rebecca also offered me many helps. I really appreciate her.

I appreciate many friends for their supports and encouragement. One of my best friends Chiung-chiu encouraged me in many ways. I enjoy sharing my life with her. Jorge and I had abundant exchanges since we knew each other in Fulbright's program at Arkansas. I am also happy to know Zichao, Yingnan, and Yao Zuo, all of whom enrich my understanding about China. I cherish our friendships.

Lawrence and KU are great places for me. I enjoyed the friendly people, fresh air, and peaceful atmosphere in Lawrence. This is the city I most love in the U.S. I benefited from Political Science department at KU much more than I expected.

Finally, I would like to show my sincere appreciation to the Institute of International Education and the University of Kansas, which offered me Fulbright scholarship and tuition waiver. Thanks to these funds, I could study without financial pressure in the U.S.

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Part I: Introduction

China's rise along with the economic integration of Asia has aroused suspicions about whether the Chinese leadership seeks economic and military hegemony in the region. For instance, East Asia, as the third largest economic region (following North America and EU), has 29 percent of the world's population and produces about 19 percent of global GDP in 2005 (Saunders 2008, 129). China is an economic engine fueling East Asian economy, especially after the 1997 Asian Financial Crisis. In the wake of the Financial Crisis, China as well as South Korea, and Japan participated in Association of Southeast Asian Nations (ASEAN) as ASEAN Plus Three (APT). This was a landmark event for East Asian economic integration and has increased trade relations between China and ASEAN. For example, in 2005, ASEAN-China bilateral trade grew 15 times larger than the 1991 figures¹. Furthermore, China and ASEAN signed an agreement in 2004 that created the largest free trade zone – China-ASEAN free trade area (CAFTA) in the world in 2010. Obviously, China's economic influence is increasing dramatically in Southeast Asia.

Not only is China's economic influence accelerating Southeast Asian regionalism, but China's political and military strength has altered the perception of the regional order for

¹ See China-ASEAN summit to focus on regional trade, political trust 2006.

other Asian countries as well as the U.S. Indeed, it is difficult for China to play a reconciliation role in Asia without antagonizing the U.S. or destabilizing the regional order (Saunders 2008, 131). Even though ASEAN states welcome China in order to fuel economic growth in this region, they still worry about China's growing military force and political clout that can marginalize their international status. Specifically, many Asian states are concerned with People's Liberation Army's (PLA) military technology acquisitions (Swaine 2005, 273). Therefore, while ASEAN enjoys the economic benefit of China's participation, ASEAN also tries to decrease China's military threat by integrating China into the regional security systems (Swaine 2005, 274). Whether ASEAN has successfully socialized China through its norms and economic cooperation or China is just using ASEAN to expand its influence in Southeast Asia is still a question within the debate.

The state of the previous work and unresolved problems

Realism

The debate regarding to whether China's participation in ASEAN reflects a socialized China or a China seeking greater regional dominance mainly takes place between realists and constructivists (Acharya & Stubbs 2006; Peou 2002), while neoliberal

institutionalism is considered a theory with less explanatory power after 1997 Asian financial crisis (Acharya 1999). In the early 1990s, many people were optimistic about ASEAN's function and neoliberal institutionalism was a key explanation. Especially after the establishment of the ASEAN Regional Forum (ARF) in 1994, ARF was design to play a managerial role in ensuring regional security (Acharya 1999). However, when Asian financial crisis occurred, the vulnerability of ASEAN was exposed because ASEAN was not capable to deal with the problem (Acharya 1999). Thus, Neoliberal institutionalism has less explanatory power in Southeast Asia security studies after 1997 Asian financial crisis. Furthermore, the constructivist approach applies well to ASEAN security studies. In ASEAN studies, the institution is viewed as an informal structure, facilitating information sharing and trust building, rather than a formal structure enabling cooperation (Acharya 1999). This thesis focuses on the two theories without further discussing neoliberal institutionalism because within ASEAN studies debates are around realism and constructivism.

The realist view, spearheaded by Mearsheimer, argues that survival is a state's most important goal and the best guarantee of survival is to be a hegemon. Thus, it is almost unavoidable that China will try to dominate East Asia if China becomes an economic powerhouse (Mearsheimer 2001, 2006, 3-4). If China's economy keeps growing over the

next few decades, the conflict between the U.S. and China will occur and the possibility of a fight is high (Mearsheimer 2006). Jones and Smith point out that even though China deals with sovereignty problems in a multilateral way within the ASEAN framework, actually China just utilized noninterference principle to exclude America's involvement (Jones & Smith 2007, 179).

Economically, China has benefited from ASEAN countries more than ASEAN countries have from China and the trade gap between China and ASEAN countries is increasing (Kurlantzick 2007, 73). Saunders showed that Southeast Asian as well as East Asian countries are becoming more dependent on exports to China, but China's relative dependence on other regional Asian markets has not changed. For example, the share of Chinese exports going to East Asia (excludes Hong Kong) has declined from 34 percent in 1996 to 24 percent in 2006. However, China is exporting more to the U.S. and EU than to ASEAN states. China has become the largest trading partner for most countries in the Southeast Asian region since 2000 (Saunders 2008, 134).

Regarding military force, Mearsheimer argues that, similar to how the United States pushed the European great powers out of the Western Hemisphere in the 20th century, it is also likely that China will want to push the United States out of Asia (Mearsheimer 2006). If China's economy keeps growing over the next few decades, the conflict

between the U.S. and China will occur because great powers always attempt to exclude other possible rivals (Mearsheimer 2001: 41). Also, most of China's neighbors including India, Japan, Singapore, South Korea, Russia, and Vietnam, will participate in America's containment against China because they also fear the "China threat" (Mearsheimer 2006). Swaine indicated that the PLA is deploying a growing number of high-tech ballistic missiles in South and Southeast China. In this situation, the political leaders in Malaysia, Indonesia, Vietnam, and the Philippines were concerned about China's employment of military forces to influence the security environment (Swaine 2005, 274,276-7).

Realists tend to view all state policies, including economic, military and both traditional and non-traditional security issues, as all related to relative gains. That is, state completion in a zero-sum game among all issue areas.

Constructivism

Constructivists see China's participation in ASEAN as a process of socialization in which China followed ASEAN's norm and changed its foreign behavior from bilateralism to multilateralism. Eaton and Stubbs argue that ASEAN has successfully incorporated China to follow its norms and facilitated economic cooperation (Eaton & Stubbs 2006, 147). For example, China has signed Treaty of Amity and Cooperation (TAC), demonstrating that China has accepted ASEAN's norm (Eaton & Stubbs 2006, 147). Ba

(2006) applied constructivism to analyze how the “complex engagement” between ASEAN and China transforms their mutual perception. She argues that this complex engagement “is not passive, but active; not static but dynamic” (Ba 2006, 161). This non-confrontational engagement encourages China to welcome dialogue and compromise (Ba 2006, 175). Johnston also suggests that China is increasingly getting used to engaging with its neighbors multilaterally by illustrating the change in China’s attitude toward ARF from a doubtful observer to full participation (Johnston 1999, 312-3).

Constructivists stress the function of the ASEAN Way in the shape of ASEAN’s norm.

Acharya defined ASEAN Way as

a “process of regional interactions and cooperation based on discreteness, informality, consensus building and non-confrontational bargaining styles which are often contrasted with the adversarial posturing, majority vote and other legalistic decision-making procedures in Western multilateral negotiations” (Acharya 2009, 79).

Shambaugh argues that China has incorporated the ASEAN Way (Shambaugh 2004, 74). During the process of China’s participation in ASEAN in the 2000s, China constrained its sovereign interests and sought for greater regional interdependence through multilateralism (Shambaugh 2004, 76). ASEAN also believed that it is a good strategy to engage with China via ASEAN’s norms and institutions in order to hedge against China’s potential dominance (Shambaugh 2004, 76).

Some evidence shows that ASEAN's norms socialized China's foreign policy behavior. Johnston suggests that China has gradually become more comfortable in engaging with its neighbors in a multilateral way. For example, in 1997, China's leadership felt uneasy with ARF's preventative diplomacy that can enable ASEAN top officials to investigate or mediate disputes by sending ARF special representatives on fact-finding missions and mediation (Johnston 1999, 312). Moreover, rather than using strictly bilateral discussions to deal with disputes in the South China Sea, the Chinese leadership complied with ARF consensus decisions about these disputes (Johnston 1999, 312-3). Thus Johnston suggests that since China joined ARF, it has been socialized into the regional community rather than utilizing the ARF to balance against the U.S. (Johnston 1999, 316).

To sum up, constructivists believe that China's acceptance of ASEAN's norm and rule has successfully socialized China and changed its foreign behavior through the process of multilateral engagement in ASEAN-led institutions. However, like realists, constructivists also tend to fall into a trap where all foreign behavior in all issue areas is reflected in one explanation.

Mixture of realism, neoliberal institutionalism, and constructivism

Some authors attempt to apply both explanations on broad theoretical terms, but few

have systematically examined issue areas and where each theory/assumption applies.

Acharya used constructivism to explain the development of ASEAN (Acharya 2000), but he combined the lens of realism, neoliberal institutionalism, and constructivism to discuss the China-ASEAN relationship (Acharya 2003). Acharya indicated that ASEAN Way neither comes from shared cultural heritage nor the initial agreement made by the founders of ASEAN. It is not based on the “liberal logic of economic interdependence.” Rather, it emerges from a “long-term process of interaction and adjustment” (Acharya 2000, 71-2, 194-5). Regarding long-run China-ASEAN relationship, Acharya argued that “the key drivers... are the nature of Sino-US rivalry, the structure of regional economic interdependence, and the evolution of cooperative security norms in the region.” (Acharya 2003, ii) In other words, the key factors of realism (big powers Sino-US rivalry), neoliberal institutionalism (economic interdependence), and constructivism (evolution of cooperative security norms) are all taken into consideration in the China-ASEAN relationship.

For Acharya, the relationship between China and ASEAN is more complex than the relations among ASEAN core member states. ASEAN tried not to provoke China’s nationalism so it avoided displaying a containment posture against China. ASEAN was not willing to ally strategically with China due to the uncertainties of the political costs.

However, as China grew as an economic power, ASEAN members did not want to miss the growing economic and trade opportunities with China (Acharya 2003, 1-2). For China, despite ASEAN's pro-US defense orientation, it still viewed ASEAN as a benign regional organization where a mutually beneficial relationship could be cultivated. Also, China carefully engaged with ASEAN in a bid to encourage cooperation rather than push ASEAN closer to the U.S. and Japan (Acharya 2003, 2). With this complex relationship between China and ASEAN, it is clear that the realist assumptions oversimplified the notion that Southeast Asian nations are balancing China or cooperating with China against the U.S (Acharya 2003, 2). Nevertheless, Acharya did not systematically examine issue areas in China-ASEAN relations and the applicability of each theory in different issue areas.

As China's economic and military power is rising as well as China-ASEAN's economic integration, it remains unclear whether realism or neoliberal institutionalism is a more applicable explanation for China's foreign behavior toward ASEAN member states. In the perspective of liberal institutionalism, during the process of China's engagement with Southeast Asian countries, the Chinese leadership gradually understood that the cost of cooperation is lower than conflict costs. Therefore, China was willing to compromise with regional organizations and adhered to the international rules to achieve

common interests and regional stability (Saunders 2008, 142). Ba argued that China's motivation of enhancing cooperation is the increasing need to deal with regional financial problems rather than the attempt to exclude the U.S. influence (Ba 2008, 117).

Confusing problems

There is one unresolved problem in the debate over the China-ASEAN relationship. It is the dimensions of power relations between China and ASEAN. The conflict between realism and constructivism derives from different understandings of power (Eaton & Stubbs 2006, 141-2). Constructivist understanding of power is the power to "reduce regional tensions and increase regional economic cooperation to its advantage by having regional states sign on to its norms and follow its practices (Eaton & Stubbs 2006, 147)." The realist concept of power is coercive power, mainly political and military power, to create regional balance of power (Eaton & Stubbs 2006, 139). In this sense, the constructivist lens provides a more powerful explanation of ASEAN than the realist lens (Eaton & Stubbs 2006, 151). Indeed, various IR theories give different weights to the idea of power. For constructivism, power works through intersubjective understandings of interests and identities between states (Wendt 1992, 401). For realism, states are driven to seek for power to ensure survival under anarchical structure and self-help system

(Waltz 1979a, 120), without consideration of intersubjective meanings and interactive process. But if realism and constructivism are not comparable due to different concepts of power, it is hard to analyze the China-ASEAN relationship on a commensurable basis.

A systemic analysis based on clear power dimensions is needed to explain the complexity of the China-ASEAN relationship. Realism and constructivism could have different of applicability in China-ASEAN relationship. Realist explanation assumes China's intention is unchanged during the process of interaction with ASEAN. For example, even if China followed ASEAN Way and multilateralism, China could not be socialized by ASEAN and would just attempt to expand its influence in Southeast Asia. Furthermore, realism focuses on China's growing economic power which will be translated to military power (Mearsheimer 2001, 4), but ignore other possible evolution of China-ASEAN relationship through intense economic exchange and the qualitative change in the China-ASEAN military relationship. The constructivist explanation focuses on the process of socialization between China and ASEAN but the explanation is not systemic enough to figure out a clear direction of China-ASEAN relationship. For example, Ba depicted ASEAN states complex engagement of China as a persuasive and deliberative process in which meaningful changes of mutual perceptions and interests takes place (Ba 2006, 174). Ba refused to use the lens of realism to see power as coercive

power but stressed that it is more important to examine the social context of interactions than to examine power asymmetries (Ba 2006, 174). Acharya mentions the factors mixing realist, neoliberalist, and constructivist elements that affect China-ASEAN relations and he also discusses specific cases such as the South China Sea dispute and the competition for foreign direct investment, but he does not systematically examine the applicability of IR theories on China-ASEAN relations. Like Acharya, Ba did not systematically examine the empirical evidence by using realist and constructivist lens. Constructivists focus on the normative structure that constitutes states' identities and interests but they rarely define normative structure in terms of power (Barnett & Duvall 2005, 41). Without conceptualization of power, it is hard to know how states behavior are constrained and how their fates are determined (Barnett & Duvall 2005, 41).

Problem to be solved and the essence of my contribution

One way to resolve the conceptual problems between the realist and constructivist is to empirically examine specific issues between China and ASEAN states. Through an empirical analysis of the change in military power, economic power, and institutional power between China and ASEAN in the past two decades, I will analyze how realism and constructivism are applicable in different dimensions of the China-ASEAN

relationship. I argue that neither realism nor constructivism can neatly explain the China-ASEAN relationship. Rather, realism and constructivism can apply according to the different issue dimensions of the relationship.

Road map paragraph

First, I demonstrate how the realist and constructivist concepts of military, economic, and institutional power are applied to the China-ASEAN relationship. Second, I use some empirical cases to illustrate the comparison. In the military relationship, I compare China-ASEAN and US-ASEAN joint military exercises and the content of China-ASEAN military cooperation. In the economic relationship, I discuss the competitiveness and complementarity in China-ASEAN trade and China's foreign economic behavior toward ASEAN. In the institutional relationship, I analyze whether China followed ASEAN rules to address the most sensitive disputes between China and ASEAN member states through ASEAN's multilateral mechanism, this shows to what extent ASEAN's institutions can influence China's foreign policy behavior. I also illustrate some cases where China has attempted to influence ASEAN institutions for national gains. Finally, I explain the issue specific application of realism and constructivism in each relationship in light of these analyses. The last section is the

conclusion.

Part II. Theory

Power is the core concept to examine the relationship between states. Some scholars offer multi-dimensional of power definitions in order to examine the complex nature of multilateral and bilateral relations (Barnett & Duvall 2005; Katzenstein 2005). For example, Katzenstein separates power into territorial and nonterritorial concepts and he explains, “Territorial power was at the center of the old land and maritime empires” and nonterritorial power is “characterized by a fluid instability that manifests itself in hybrid identities, flexible hierarchies, multiple exchanges, and the production of new forms of authority and coercion across boundaries (Katzenstein 2005, 3-4).” Katzenstein also suggests that regions have both material and symbolic dimensions and we can trace these dimensions in patterns of behavioral interdependence and political practice (Katzenstein 2005, 4). Barnett and Duvall (2005) analyzed power concept in realism, neoliberal institutionalism and constructivism and categorized four different forms of power: (1) compulsory power, (2) institutional power, (3) structural power, (4) and productive power. Basically, in order to accommodate different IR theories, these scholars take into

consideration both material and non-material power as a framework to analyze the “balance of power” or the relationship between states.

In order to examine the application of realism and constructivism to China-ASEAN relationship, I take military, economic, and institutional as power dimensions, including material and nonmaterial power, to analyze the development of China-ASEAN relationship in the past twenty years.

Material factor: military power

Realism, including both neorealism and postclassical realism, emphasizes material factors (Brooks 1997, 446). Realists have different views about relative importance of military power and economic power. For example, Mearsheimer pays close attention on military power, while Gilpin and Kennedy emphasized economic power (Brooks 1997, 460). Still, both military power and economic power are the core factors determining the arrangement of states’ power. Yet, if there is a conflict between the two goals, military power has priority over economic power (Brooks 1997, 447).

Although constructivists focus on non-material much more than material power, they still recognize material power as an important component in international relations (Hopf 1998, 96). However, there is a fundamental difference between realism and

constructivism in the concept of material power. Unlike the realists that take material power as the basis of states' behavior, constructivists seek to understand agents' identities and structures that are mutually constitutive (Hopf 1998, 181). Constructivists consider material power as a part of identity rather than an independent factor. Perceptions of each other determine how they use material power. Moreover, constructivists argue that perceptions of material power matters because shared perceptions and ideas can influence international socialization. Despite of this ontological discrepancy, ideas and material are not mutually exclusive. In realism, which is categorized as rationalism, 'desire + belief = action' is the basic formula. Ideas also play an essential role in actors' behavior under this logic (Fearon & Wendt, 59). Therefore, material power is an important explanatory factor for both realist and constructivist in China-ASEAN studies.

For realism, zero-sum game is also a core feature that states face in the international system². While facing international cooperation, a state is more concerned with "Who will gain more?" than with "Will both of us gain?" because the other state(s) may acquire greater capabilities (Waltz 1979b, 105) Therefore, states tend to pursue relative gains rather than absolute gains. The debate over zero-sum game versus non-zero-sum game within international security studies mainly takes place between realism and neoliberal

² See Keohane 1984, 67-9.

institutionalism. Neoliberal institutionalism argues that inter-states cooperation increasing absolute gains is possible through international regime that can decrease transaction cost and prevent member states from cheating (Keohane 1984, 94,96-7,103). Contrary to realists, neoliberalists argue that states care about their absolute gains more than relative gains (Baldwin 1993, 5-6). The constructivist position is very similar to neoliberal institutionalism in zero-sum vs. non zero-sum game debate. The liberal functional-institutional logic shared by both neoliberal institutionalism and constructivism produces a similar argument that states' preference and perception can be changed with prolonged participation in international institutions (Sterling-Folker 2000, 109). However, within the process of socialization, constructivism is more attuned to the change of identities and ideas than neoliberal institutionalism.

One realist assumption is a consistent expansion of military power. In the case of China-ASEAN military relationship, if China's aggressive behavior to extend its military power that may also exclude the U.S. military power in Southeast Asia remains constant during the process of China-ASEAN interaction, then this suggests that an intention to strengthen its military power in order to ensure its survival. The socialization of China into the ASEAN Way could not change China's identity or perception of ASEAN. In this situation, realism may provide a better explanation of China-ASEAN relationship than

constructivism. If China's military behavior altered from aggressive to cooperative during the process of China-ASEAN engagement over time in ASEAN-led institutions, constructivism is a better explanation China-ASEAN relationship. Because it suggests that ASEAN's socialization to China changed China's identity and preference.

The observations of the China-ASEAN military relationship can be both quantitative and qualitative. Including a comparison of China and America's independent joint military exercise with ASEAN states as well as the content of the China-ASEAN military cooperation and ASEAN's multilateral security dialogue. The growth of China's military budget is a possible indicator of the China military threat to Southeast Asia, but how this increase spending has influenced the quantity and quality of China's military power is controversial. While China's military budget is a generally accepted index to measure its military power, it is not transparent (Bitzinger 2003). Furthermore, China's annual military budget does not reflect China's military influence over ASEAN.

Joint military exercise is an important form of military cooperation in ASEAN and it is often viewed as an indicator of positive military relationship within ASEAN (Acharya 1991; Stubbs 1992). The comparison between China-ASEAN and US-ASEAN joint military exercise can show how China-ASEAN military relationship relative to US-ASEAN military relationship changed. If China-ASEAN joint military exercises

gradually increased, it suggests that the military relationship between them is getting better and China has become more involved in regional security. This also reflects greater trust between ASEAN member states, and supports the constructivist's perspective that China is incorporated into ASEAN collective security. If China-ASEAN joint military exercises did not increase during the process of China's participation in ASEAN and even ASEAN states sought for more military cooperation with the U.S., this suggests that China's involvement in regional security is still limited and the distrust between China and ASEAN remains.

The content of China-ASEAN military cooperation can demonstrate the nature of their military relationship. The feature of realist zero-sum game is that one state increases its benefit at the expense of the other one. If China's military cooperation with ASEAN excludes the U.S. force, this relationship is a zero-sum game. If China's military cooperation with ASEAN enhances collective security without undermining the U.S. military influence, this relationship is a non zero-sum game.

Material factor: economic power

Similar to military power, realists are concerned more with relative economic gains than absolute gains. Economic power is seen as substantial resource to accumulate

military power. For realism, economic relations are a zero-sum game in which states attempt to get economic benefits at the expense of the other states. Constructivists do not view economic relations as a zero-sum game, but rather it is a constitutive process where states alter their understanding of economic benefits. Indeed, the economic relationship between two states can present greater possibilities to develop a deeper relations and inter-dependence (Ba 2006, 164)

Economic interdependence can reflect balance or unbalanced trade. States have used unfair trade balances to increase relative gains. Thus, we can evaluate the explanatory power of realism and constructivism by examining trade and investment relationship between China and ASEAN. If China utilized its economic relationship with ASEAN to benefit itself rather than collective benefit, realist assumptions can better explain China-ASEAN economic relationship. However, if China's economic policy enhanced collective economic security rather than benefited itself at the expense of ASEAN states economy, constructivism can better explain the China-ASEAN relationship.

Key observations include the trade and FDI inflow between China and ASEAN, and China' foreign economic policies toward ASEAN. The trade and investment flows between China and ASEAN states are popular indices to examine whether China benefited at the expense of ASEAN states or all states benefited mutually in their growing

economic relationship (Wong & S. Chan 2003; Eichengreen, Rhee, & Tong 2007; Ahearne et al. 2003; Tongzon 2005; Ravenhill 2006). For both scholars and policy makers, FDI flows is a key indicator to examine whether China-ASEAN trade is a zero-sum game or not (Acharya 2003, 8). The political leaders in ASEAN states are also concerned with the unbalanced FDI inflow to ASEAN states and China. For example, the Singapore government worried that China attracted a large amount of FDI from Asian market but the FDI inflows that ASEAN states absorbed were decreasing relative to China (Acharya 2003, 8). If the competitiveness (unbalanced trade) between China and ASEAN grew, then the economic relationship tends to be a zero-sum game. Yet more balanced (complementary) trade between China and ASEAN grew, then this reflects a mutual economic relationship. Both neoliberal institutionalism and constructivism expect more balanced relationship. However, for constructivists China-ASEAN trade and FDI inflow is not enough because it lacks information about whether China's perception of economic security has changed (i.e. from zero-sum to absolute gains). China's official and public foreign economic policy statements toward ASEAN is a key indicator of China's perception. These official statements reflect how the ideas about economic security, and how they evolved during China's participation in ASEAN.

China's monetary policy toward ASEAN is also a significant empirical observation to

examine how China-ASEAN economic relationship changed. For example, 1997 Asian financial crisis is seen as a turning point to the development of ASEAN and China's role in East Asian economic integration (Ba 2008, 116-7; Goh & Acharya 2007, 99; Gilson 2006, 222; Kurlantzick 2007, 69; Curley & Thomas 2007, 1). China's policy reaction not deprecating renminbi (RMB) during financial crisis was both beneficial to China and ASEAN member states (Kurlantzick 2007, 69). This policy action helped China gain the trust of ASEAN.

During the 1997 East Asian financial crisis, the countries suffering serious damage economically, mainly South Korea, Thailand, Indonesia, and Malaysia, needed emergent financial aids but America was indifferent to help them. China did not devalue its currency and keep pegging RMB to US dollar (Kurlantzick 2007:69). If China devalued its currency, it can make its export more competitive but other Asian states will loss and exacerbate their economies. These wrecked countries appreciated China's decision because China didn't benefit itself at the expense of them (Kurlantzick 2007:69). With the disappointment of America's attitude, ASEAN countries turned to aggrandize ASEAN's function and organization in order to ensure their economic security (Kurlantzick 2007:70). Unlike the distrust to multilateral diplomacy before, China gradually played a substantial role to bolster the multilateral system in ASEAN and

proposed some initiatives contributing regional economic stability, such as the Chiang Mai Initiative³ in 2000 and the proposal of joint Free Trade Agreement (FTA) with Japan and South Korea (Gilson 2006, 222).

I examine China's monetary policy toward ASEAN states during financial crisis in 1997 and in 2008 to identify China's economic security idea (i.e. either realist or constructivist). In addition, China's bilateral economic cooperation with ASEAN member states is also a meaningful observation. Is China using bilateral economic cooperation to undermine ASEAN or to create regional welfare and trade balance?

Non-material factor: institutional power

One main debate between realists and constructivists is either big powers (mainly China and the U.S.) or ASEAN shaped Southeast Asian security. This debate is situated in the theoretical argument between realism and constructivism about whether military and economic power can transcend norms and identities (Jackson 2004). Realists clearly maintain that norms and identities cannot influence a state's desire for survival (i.e.

³ Chiang Mai Initiative aimed at initiating further cooperation on monitoring capital flows and building swap networks in order to prevent from the re-occurrence of financial crisis aroused from uncontrolled capital flows. In response to the global financial crisis occurred in September 2008, China, Japan, and South Korea made a commitment to expand the swap lines in a bid to deepen Chiang Mai Initiative and stabilize regional financial and economic order. See The Joint Ministerial Statement of the ASEAN+3 Finance Ministers Meeting. (2000, May 6). Chiang Mai, Thailand; Towards a co-ordinated macroeconomic expansion among Asian economies (2008, November 13). *Financial Times*.

perceptions of economic and military power), but constructivism disagrees with this argument⁴. Constructivists believe that norms and identities are influential compared to material power in supporting Southeast Asian security (Eaton & Stubbs 2006; Acharya 2005; Ba 2006). Realists argue that it is big powers rather than ASEAN norms that determine regional security (Emmers 2001; Leifer 1999).

In the case of China-ASEAN relationship, the problem is whether China was socialized by ASEAN's norms and followed the ASEAN Way, or China exerted its will upon ASEAN and utilized ASEAN rules to serve its own interests.

The observations of institutional power include how China dealt with its core interest – South China Sea dispute - through ASEAN institution and which initiatives China offered in ASEAN institutions. South China Sea is the most sensitive security issue between China and ASEAN states as well as a classic case study to examine ASEAN's institutional power to socialize China (Acharya 2003; Emmers 2001; Evans 2003; Leifer 1999). The Spratly islands in South China Sea are a collection of coral reefs, atolls and sand bars covering seventy thousand square miles, whose sovereignty is partly or wholly claimed by China, Taiwan, Vietnam, Malaysia, Brunei and the Philippines (Dosch 2008,

⁴ There is still a subtle difference within constructivism. Liberal-constructivism argues that power can be transcended by norms and identities, while realist-constructivism does not. In this paper the idea of constructivism is tend to be liberal rather than realist. See Jackson & Nexon 2004, 340.

164). Initially, China refused to deal with sovereign controversy on Spratly Islands in South China Sea other than a bilateral basis (Jones & Smith 2007, 177). After China participated in ARF, it was more involved in multilateral dialogue regarding to South China Sea dispute (Cheng-Chwee 2005, 103). However, the process did not go smoothly because China still kept awareness of its sovereignty interest which could be potentially undermined by ASEAN's multilateral mechanism. Therefore, the South China Sea dispute is a key case showing China's foreign policy behavior.

We can also examine which initiatives China offered in ASEAN institutions in order to see whether China intended to shape ASEAN rules in favor of its interests. For example, China's support for Malaysia's initiative of East Asia Summit in which the U.S. alliance states were excluded implies China's realist behavior.

Part III. Application:

Military Power

China and America's military relations with ASEAN states

The scale of military cooperation is broad, but some exchanges are not transparent. For example, the exchange of intelligence and military procurement are not publicized.

Joint military exercises are typically announced and covered in the media. As a result, joint military exercises are considered an important index to evaluate the military cooperation (Acharya 1991; Stubbs 1992). As Table 1 shows, ASEAN-US military relations are much closer than ASEAN-China relations. Although China planned to build solid military relations with ASEAN, the post-9/11 US-ASEAN military relationship intensified the deployment of counter terrorism forces (Banlaoi 2003, 102). For example, America's Cooperation Afloat Readiness and Training (CARAT) was an anti-terror program that included six ASEAN countries: Singapore, Thailand, Malaysia, Indonesia, the Philippines, and Brunei. Indeed, the U.S. holds annual CARAT joint exercises with the six countries. In addition, the U.S. is increasingly enhancing military relations with Vietnam, Laos, and Cambodia⁵. U.S. officials denied that the military ties with ASEAN are in reaction to a rising China⁶, but it is possible that China's leadership views the growing American military presence as an attempt to contain China.

China's military relations with ASEAN is more limited than the U.S.-ASEAN exchanges. For example, Singapore and Thailand are the only two ASEAN countries that held joint exercise with China.

Table 1 ASEAN-US and ASEAN-China Joint Exercise

⁵ See US boosts military ties with Vietnam, Laos, Cambodia 2008.

⁶ Ibid.

	America	China
Singapore	2007 Joint exercise (with India, Japan, Australia) 2007 The 2nd Western Pacific Naval Symposium Multilateral Sea Exercise Annual joint exercise (Cooperation Afloat Readiness and Training, Cobra Gold military exercise)	2007 The 2nd Western Pacific Naval Symposium Multilateral Sea Exercise (with America, French, Japan, Australia, New Zealand, India, Pakistan, and South Korea)
Thailand	Annual joint exercise (Cooperation Afloat Readiness and Training, Cobra Gold military exercise)	2007,2008 Joint anti-terror exercise 2005 Joint search and rescue <i>exercise</i>
Malaysia	Annual joint exercise (Cooperation Afloat Readiness and Training)	None.
Indonesia	2006 US Military relation with Indonesia was resumed Annual joint exercise (Cooperation Afloat Readiness and Training, Cobra Gold military exercise)	None.
Cambodia	2007 Joint anti-terror exercise	None.
The Philippines	Annual joint exercise (Cooperation Afloat Readiness and Training)	None.
Brunei	Annual joint exercise (Cooperation Afloat Readiness and Training)	None.
Myanmar	None.	None.

Vietnam	None.	None.
Laos	None.	None.

Sources:

Compiled by the author. Ali 2007; Five states naval exercise: Asian NATO speeds up 2007; US-Malaysia joint military exercise 2002; US draws China's traditional allies to strengthen military cooperation in order to contain China 2008; US-China competition in Cambodia: Developing military relationship 2008; US boosts military ties with Vietnam, Laos, Cambodia 2008; 2008 Defense White Paper; Chinese army participated joint military exercises for 17 times 2007; 2010 Cobra Gold military exercise 2010.

Under the intensive and growing military relations between the U.S. and ASEAN, it is hard to imagine China as a serious military threat to the region. China's military power certainly cannot compete with ASEAN states who are allied with the U.S. For instance, China does not have an aircraft carrier or battle group nor long-range bombers. In fact, the Chinese navy is not capable of international projection of naval forces (Shambaugh 2004, 86). Moreover, anti-terrorism is also a common goal shared by China and ASEAN. Therefore China has no strategic reason to oppose ASEAN-US military cooperation. In a nutshell, America's military power is obviously stronger than China in Southeast Asia and China's military power is not a threat for ASEAN's security.

Security dialogue and military cooperation between China and ASEAN

The military cooperation between China and ASEAN is mainly in nontraditional security.

For example, in 2002, China and ASEAN states signed “Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues”, that notes that China and ASEAN governments will deepen bilateral and multilateral cooperation in non-traditional security issues such as trafficking in illegal drugs, people-smuggling including trafficking in women and children, sea piracy, terrorism, arms-smuggling, money-laundering, international economic crime and cyber crime. China and ASEAN promised to strengthen information exchange, training, joint investigations in non-traditional security issues on the basis of existing mechanisms such as the ASEAN Ministerial Meeting and Senior Officials Meeting⁷. In the following years, China has continued nontraditional security cooperation with ASEAN. In 2005, China proposed initiatives on disaster prevention at the Special ASEAN Leaders' Meeting⁸. China proposed “The ARF General Guidelines for Disaster Relief Cooperation” at the 14th ARF Ministerial Meeting in 2007 and it was adopted as the first formal guidance to address cooperative disaster issues⁹.

China stressed that its military cooperation with other nations is based on the principles of non-alignment, non-confrontation, and non-targeting at any other countries

⁷ Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues, Phnom Penh, 4 November 2002.

⁸ 2006 White Paper on PRC National Defense, 33.

⁹ 2008 Defense White Paper, 48.

and the promotion of security through dialogue and cooperation¹⁰. This idea is part of China's New Security Concept, that was submitted at the Ninth ARF Foreign Ministers' Conference in 2002. In the document, China acknowledges the ARF's role to promote confidence building measures (CBM) and preventive diplomacy. This document suggests that there is a growing level of mutual trust between China and ASEAN.

Although South China Sea dispute remains, China did adopt flexible and prudent posture to enhance its military cooperation with ASEAN. Despite China's strong stance on South China Sea sovereignty issue, China attempted to build closer military relationships with ASEAN through cooperation in nontraditional security issues and multilateral dialogues after becoming a full participant in ARF.

Applicability of realism and constructivism

According to China's moderate military policy to ASEAN, it appears that realism cannot neatly explain China-ASEAN military relationship. If China-ASEAN military relationship follows the realist assumptions, then we should see China extended its military power in ASEAN and attempted to force the U.S. out of the ASEAN region. But this is not the situation in the China-ASEAN military relationship. The U.S. has

¹⁰ See China's Position Paper on the New Security Concept.

maintained and even strengthened its military allies in the name of anti-terrorism in Southeast Asia, without overt resistant from the Chinese government. China has also established military cooperation with a few ASEAN states, but it is by no means able to compete with U.S. military influence. More importantly, US-ASEAN and China-ASEAN military cooperation are not mutually exclusive. This is because cooperation is mainly within non-traditional security areas, such as anti-terrorism and sea piracy, rather than in the traditional security issues that targets a third state. That is, US-ASEAN and China-ASEAN military relationship is not a pure zero-sum game. Enhancing non-traditional security in Southeast Asia is a common goal shared by the U.S., China, and ASEAN states.

Realists would argue that most ASEAN states still distrust China and therefore they maintain military ties with the U.S. in order to contain the China threat. For example, Singapore Minister Mentor Lee Kuan Yew reminded the U.S. government to actively participate Asian affairs in order to balance China's economic and military power¹¹. Indeed, Lee states that ASEAN members believe the U.S. is irreplaceable in East Asia¹², while ASEAN member states may express concerns over China's military power. However, it is not the primary factor driving ASEAN's military cooperation with the

¹¹ Lianhe Zaobao: Lee Kuan Yew's Talk Shows Limited Trust between ASEAN and China 2009.

¹² Ibid.

United States. Unlike the situation in 1990s where America was intent to contain China and, in turn, China was suspicious of maritime security cooperation, nowadays both powers have a mutual interest to prevent their strategic sea lanes from transnational threats (Bradford 2005, 75-6). Non-traditional security threats play an increasingly significant role in Southeast Asian states' security policy. Despite of some ASEAN states' intention to build military ties with the U.S. in order to hedge against China, the principle dynamic of military cooperation is non-traditional security. This implies their cooperative military relationship as a non-zero sum game, and military cooperation can also enhance absolute benefits. Therefore, realism cannot depict China-ASEAN military relationship neatly.

Constructivism provides a better explanation for the development of mutual trust within the China-ASEAN military relationship because China's perception of the ARF changed after China's participation and engagement with ASEAN member states. The evidence shown above implies that China's posture in security issues has evolved from aggressive to cooperative toward ASEAN. In the 1990s, China was reluctant to discuss security issues in ARF. This was over concerns that multilateral dialogue would undermine China's autonomy (Evans 2003, 747). After China's full participation in ARF, serious discussions began over confidence building measures, preventative diplomacy

and conflict resolution via ARF's multilateral dialogues (Evans 2003, 752). Initially China's perception of the ARF was ASEAN's tool to internationalize the Spratly Islands dispute or as a way for America to indirectly intervene in China's domestic affairs (Cheng-Chwee 2005, 106). However, China's concerns gradually diminished due to direct diplomatic engagement and security issues within the ARF. Regarding hard security issues, such as South China Sea dispute, China is still not very comfortable with discussing it within ARF (see below). Nevertheless, China has become more willingly to address this issue within the regional forum. This is a recent and significant development. To sum up, constructivism is more pertinent than realism to explain the development of China-ASEAN military relationship.

Economic Power

China-ASEAN trade relations and Foreign Direct Investment

China-ASEAN trade relationship is controversial among scholars. Some scholars argue that China and other East Asian countries are competing against each other for a greater share of the global markets and that China has increased its exports at the expense of other East Asian and Southeast Asian countries in some industries (Ahearne, et al. 2003, Eichengreen, et al. 2007, Tongzon 2005, Wong and Chan 2003). Wong and Chan

(2003) point out that even though NIE (New Industrial Economies: Taiwan, South Korea, Hong Kong, and Singapore) and ASEAN's market shares are higher than China, the increase in China's share is associated with the decrease in NIE and ASEAN's share. It is suggested that China becoming more competitive than other Asian countries in electronic goods (Wong and Chan 2003, 521). Eichengreen et al. (2007) studied the impact of China's export of capital goods, consumer goods and intermediates¹³, since 1990 to 2003. Eichengreen found that China's export of labor-intensive goods, specifically textiles, crowded out other Asian countries' exports of textiles but this effect was not shown in the other manufactured goods (Eichengreen, et al. 2007, 222). China's export of labor-intensive goods has the greatest negative influence on low-income ASEAN countries. For example, in 2002, 91% of exports of manufactured consumer goods in Cambodia are textiles, while it is only 10% in Singapore (Eichengreen, et al. 2007, 222-3). The manufactured consumer goods that high-income Asian countries exported were mostly technological-intensive goods. For example, in 2002, 30% of Japan's

¹³ The authors' classification of goods follow the second version of the Standard International Trade Classification (SITC 2) offered by UN data. Capital goods include machinery and transport equipment (a subset of group 7 in SITC 2). Consumption goods include food (group 0), beverages and tobacco (group 1), miscellaneous manufactured articles (group 8), television and radio receivers (7.6.1, 7.6.2, and 7.6.3), passengermotor vehicles and cycles (7.8.1 and 7.8.5), and medicinal and pharmaceutical products (5.4). All the remaining goods (groups 2,3, 4, 5, 6 and 9) are classified as intermediates. See Eichengreen et al.(2007), p.212. About the content of SITC 2, see United Nations Statistics Division, <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=14&Lg=1&Top=1> .

electronic high-tech manufactured consumer goods were professional instruments, while Vietnam export of high-tech goods was only 0.5% during the same period (Eichengreen, et al. 2007, 23). Therefore, China's exports of labor-intensive goods crowded out other low-income Asian countries' exports of those same goods, but countries with high-tech exports were unaffected. However, taking into account China's expanding market, countries that export natural resources still can benefit from China's growing demand for raw materials (Eichengreen, et al. 2007, 23).

Still some scholars argued that the exports from China and the other East Asian countries are complementary in terms of vertical integration of production market. For example, Ahearne, Fernald, Loungani, and Schindler (2003) show that the electronic exports from China, NIEs and ASEAN countries increased at a similar rate since 1981 to 2001. They offered a possible explanation—the vertical integration of many product markets. That is, Asian countries exported intermediate goods to China, and China exported final goods to the third market. For example, the components of DVD players such as motherboards, memory were imported from NIES or ASEAN countries to China, and these components were assembled in China and then exported to other markets. In this situation, the exports from China, NIEs and ASEAN countries are positively correlated and complementary (Ahearne, et al. 2003, 4-5).

Tongzon (2005) finds that China and ASEAN countries have different comparative advantage so that they export what their counterpart need. Raw materials and component parts occupied more than a half of China's imports (Tongzon 2005, 204). China's exports worth of \$1 million need the imports of intermediate goods and components worth of about \$500,000¹⁴. ASEAN's comparative advantages are raw materials and some capital-intensive goods, such as machinery and electrical appliances, chemicals and base metal and base metal products, while China's comparative advantage is still labor-intensive goods despite its increasing export of high-value manufactured goods (Tongzon 2005, 201).

EU and the U.S. are the biggest export market for China¹⁵, while NIEs, Japan, and ASEAN countries are the main import sources for China¹⁶. Figure 1 shows China's trade with other partners. China's trade surplus earned from the U.S. and EU increased dramatically from 2001 (for EU it is from 2003) to 2007. China's trade deficit with Japan and the NIEs also increased during the same period. Despite China's trade deficit with ASEAN, the deficit decreased after 2004 and the trade balance is much smaller than the

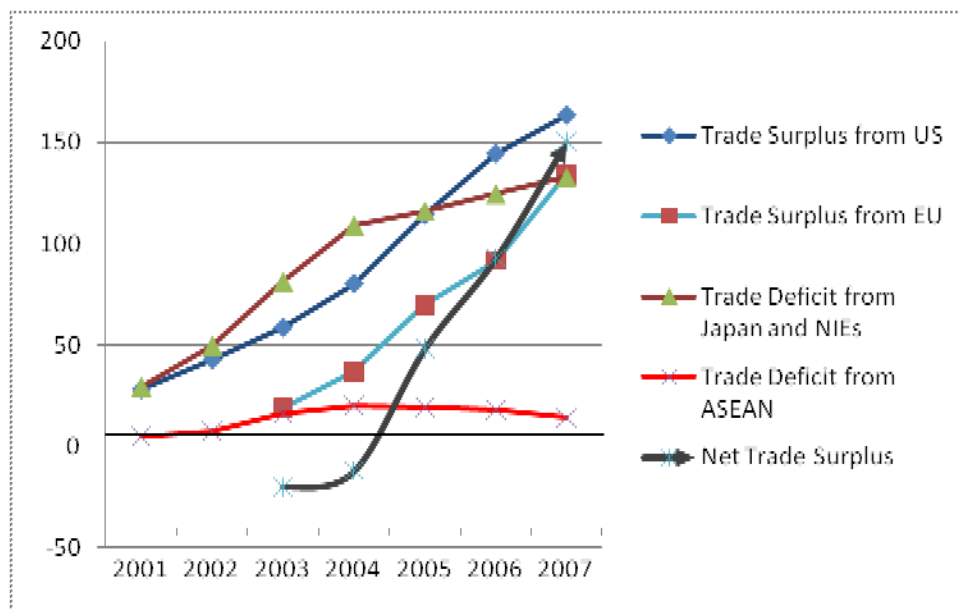
¹⁴ Don't Confuse Made in China with Made by China 2002.

¹⁵ In 2008, EU and the U.S. ranked the first and the second export markets for China. See the statistics of Ministry of Commerce of the PRC, <http://zhs2.mofcom.gov.cn/aarticle/ie/statistic/200901/20090105999708.html> .

¹⁶ In 2008, Japan, ASEAN, South Korea, and Taiwan ranked the first, the third, the fourth, and the fifth import sources of China. See the statistics of Ministry of Commerce of the PRC, <http://zhs2.mofcom.gov.cn/aarticle/ie/statistic/200901/20090105999718.html> .

balance with Japan and the NIEs. This implies China may gain from a trade surplus with ASEAN in the future. In addition, China's overall regional trade surplus is negative in 2003 and 2004 but becomes positive after 2005.

Figure 1: China's trade surplus/deficit with US, EU, NIEs, and ASEAN (billion US dollars)



Source: compiled by the author. The trade data is from:

Ministry of Commerce of the People's Republic of China, retrieved from <http://big5.mofcom.gov.cn/gate/big5/zhs.mofcom.gov.cn/tongji.shtml>

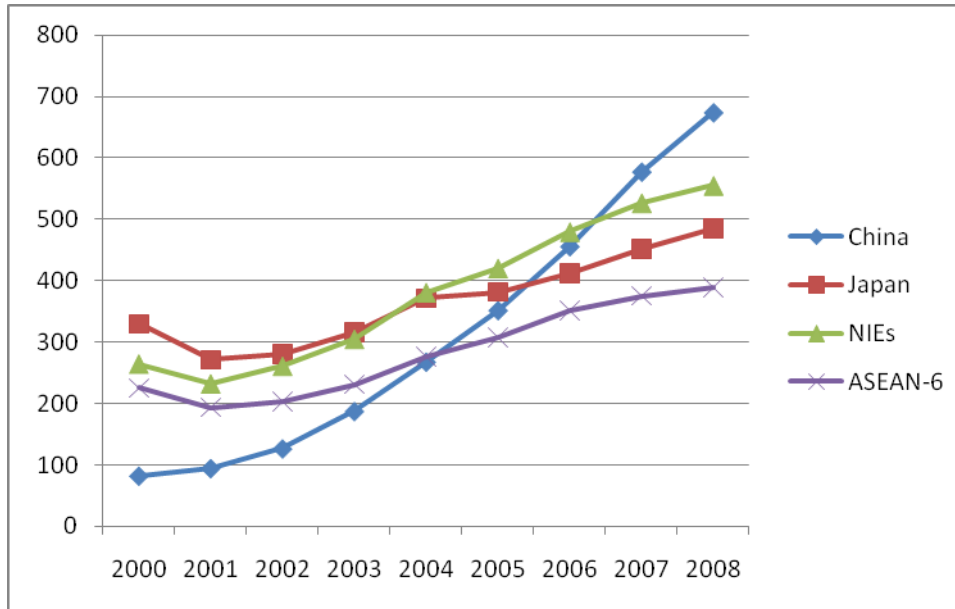
Note:

1. Hong Kong is excluded from NIEs in this figure because most China's export to Hong Kong is goods while most China's import from Hong Kong is services. The trade structure between China and Hong Kong is largely different from it between China and other countries. Here I mainly discuss the trade for goods. Therefore Hong Kong is excluded in this figure.
2. Singapore is in the group of ASEAN but not in the group of NIE in this figure.

Considering the arguments above, these trends have several implications. First, China's exports are associated with the imports from Japan, NIEs, and ASEAN. Thus the trade between China and NIEs and ASEAN countries are complementary. Second, China's net trade surplus increased dramatically despite its large trade deficit with Japan and NIEs. Third, ASEAN's comparative advantage against China is fading away. It is likely that ASEAN's advantage on some kinds of goods, such as machinery and electronic appliances, was gradually surpassed by China's advantage. In the 1990s, China had a lower comparative advantage in the areas of machinery and electronic appliances compared to some ASEAN countries (Tongzon 2005). However, China has already become the largest exporter of information and communication technology goods in the past four years¹⁷. Figure 2 shows that China's exports of machinery and transport equipment to the world, at a faster growing pace than other country, exceeded all six ASEAN countries in 2005, and also surpassed Japan and the NIEs in 2006 and 2007 respectively. Moreover, the rate of increase of ASEAN-6, the NIEs and Japan's exports are slower than China

¹⁷ Of internet Cafés and Power Cuts: Technology in Emerging Economies 2008.

Figure 2: Export of Machinery and Transport Equipment to the world (billion US dollars)



Source: WTO, International Trade and Tariff data, <http://stat.wto.org/StatisticalProgram/WSDBStatProgramHome.aspx?Language=E>

Note:

1. ASEAN-6 includes Singapore, Malaysia, Indonesia, Thailand, Philippines, and Vietnam. The rest of countries' exports are negligible and therefore are not counted here. Singapore is counted in NIE group.

Why did China's export of machinery goods exceed the other East Asian countries?

Tongzon suggests that a number of Japan and NIEs firms relocated factories that provided the more labor intensive final electronic goods to China in order to save labor costs. As a result, the NIEs and Japan were importing more from China (Tongzon 2005, 197). However, it is also possible that technology gap between China and Japan/NIEs

was also shrinking due to greater technology transfers. For ASEAN countries, it is more obvious that their early advantage in the area of electronic goods was fading away quickly.

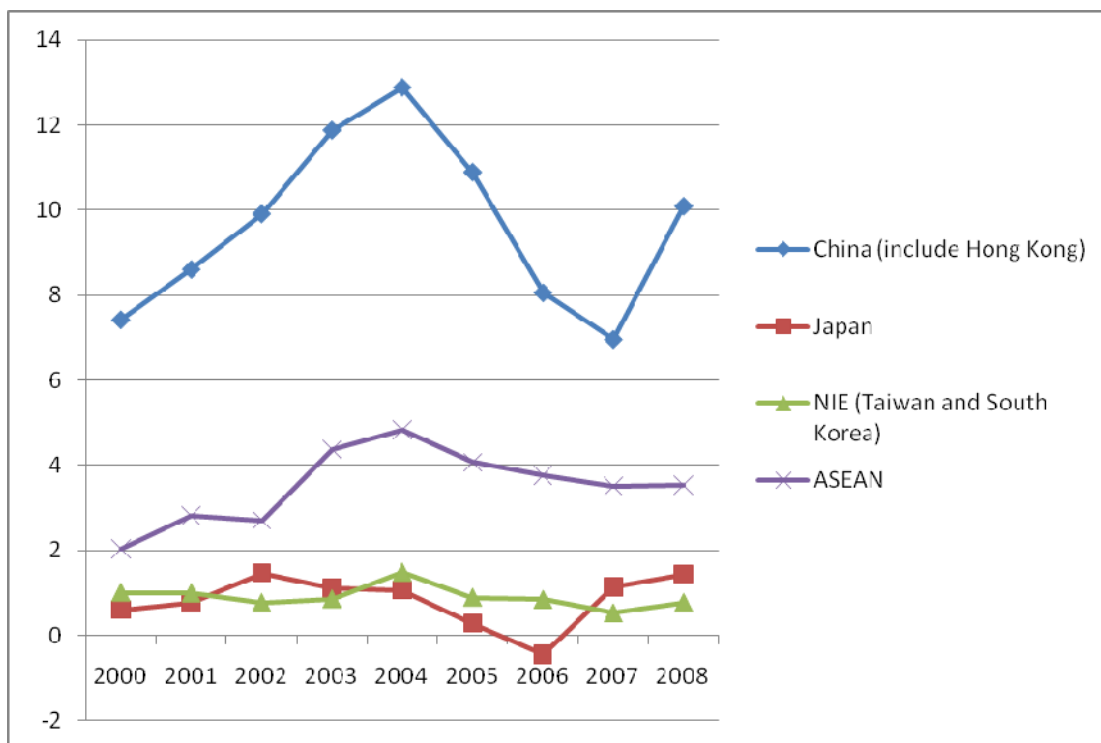
Moreover, through state investment in science and technology, the Chinese government tried to promote domestic innovation and decrease the reliance on foreign countries' technology¹⁸. Government investment in the sciences and professional training produced a more educated and skilled labor force in China's high-tech industries, especially in the coastal regions. A survey conducted by McKinsey & Co. and China's Tsinghua University shows that the gap in productivity between China and foreign countries' technology companies is shrinking: Chinese high-tech companies' average revenue per worker rose from 226,000 yuan in 2001 to 421,000 yuan in 2005, while the average revenue per worker in foreign technology firms in China decreases from 501,000 yuan in 2001 to 439,000 yuan in 2005 (Dean 2006).

China also captured the greatest inflow of foreign direct investment compared to Japan, NIEs, and ASEAN countries (see Figure 3). During 2007 to 2008, the share of world FDI inflow to Japan, NIEs (only Taiwan and South Korea are counted) was 1.3% and 0.6% respectively, and ASEAN was around 3.5%. China's FDI inflow increases from 7% to

¹⁸ Consumer champion: Technology in China and India 2007.

10%. In addition, even though ASEAN's FDI inflow reached record high in 2005, the real benefit was limited because most of the FDI flowed to labor-intensive manufacturing firms¹⁹. Due to the situation where China absorbed most of the high tech as well as labor intensive FDI inflow, ASEAN countries had a hard time developing high-tech industries via FDI.

Figure 3: FDI inflow (% of world) for East Asian countries



Source: UNCTAD,
http://stats.unctad.org/FDI/ReportFolders/reportFolders.aspx?sCS_referer=&sCS_ChosenLang=en
 Note:

¹⁹ The Problem with Made in China: Manufacturing in Asia 2007.

1. The data of Indonesia from 2000 to 2002 are absent.
2. Hong Kong is counted into China but not into NIEs in this figure.

Indeed it appears that China's high-tech industries developed faster than ASEAN states. Table 2 shows the amount and ranking of technology patent grants for Asian countries. Japan, Taiwan, and South Korea rank the second, fifth, and seventh in the world, respectively. Hong Kong and China rank 18th and 19th respectively, followed by Singapore, Malaysia, Thailand, and Philippines. Notably, even though the actual amount of China's patent grants are much lower than Japan, Taiwan, and South Korea, the number of patents soar after 2005. The patent grants in Indonesia, Philippines, Thailand, and Malaysia made comparatively little progress.

Table 2: Patent Grant

Country	Rank	2000	2001	2002	2003	2004	2005	2006	2007	2008
Japan	2	32922	34890	36339	37248	37032	31834	39411	35941	36679
Taiwan	5	5806	6545	6730	6676	7207	5993	7920	7491	7779
South Korea	7	3472	3763	4009	4132	4671	4591	6509	7264	8731
Hong Kong	18	548	621	589	681	641	596	753	756	717
China	19	161	265	390	424	597	565	970	1235	1874

Singapore	22	242	304	421	460	485	377	469	451	450
Malaysia	33	47	56	62	63	93	98	131	173	168
Thailand	40	30	47	61	47	28	25	42	25	40
Philippines	43	12	15	19	25	21	18	35	21	22
Indonesia	53	14	10	15	12	23	23	16	15	19

Source: U.S. Patent and Trademark Office, retrieved from
http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst_all.htm

Although the trade between China and ASEAN countries can be viewed as mutually beneficial, China was gained more from trader relations than ASEAN states member. Even the trade surplus ASEAN states enjoy from China is decreasing. More importantly, China's high-tech industries improved faster than ASEAN states because it absorbed most of FDI inflow to Asia. Also China's public investment in many areas of science and technology contributed to China high-tech advantage over ASEAN. Indeed, this can even be viewed as an unfair advantage.

Regional and sub-regional economic cooperation between China and ASEAN

China-ASEAN regional economic cooperation deepened with the 'Framework Agreement on Comprehensive Economic Cooperation' signed in 2002 that established

ASEAN-China free trade area. ACFTA was realized in the beginning of 2010 and area includes Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand and China. In 2015, the area will be extended to Cambodia, Laos, Myanmar and Viet Nam. The tariff will be zero for more than 90% of the products by 2015 in China-ASEAN free trade area. China's exports to ASEAN are expected to increase by 55.1% and ASEAN's export to China should increase by 48% (Cheng-Chwee 2005, 110). The Chinese government also signed 'ACFTA Investment Agreement' in 2009 to further consolidate China-ASEAN economic cooperation. China promised to establish 10 billion US dollars to the 'China-ASEAN Investment Cooperation Fund', mainly for the investment on infrastructure, energy, and information technology industries, and offered 15 billion credits ready to support ASEAN states²⁰.

In addition to ACFTA, China also utilized sub-regional economic strategies to deepen China-ASEAN economic cooperation. One strategy is "One axis and two wings". This idea was initially proposed by Liu Qibao, secretary of the CPC (Communist Party of China) Guangxi Committee, in 2006 for a local/provincial economic development. Then the Chinese central government adopted this idea and expanded the development strategy to include ASEAN states. One axis is to establish transport infrastructure, such as

²⁰ See China-ASEAN Investment Cooperation Fund Establishing 2009; Premier Wen Jiabao Attends the 12th China-ASEAN Summit 2009.

railways and highways, from China's Nan Ning city to Singapore through Hanoi, Phnom Penh (Cambodia's Capital), Bangkok (Thailand's Capital), Kuala Lumpur (Malaysia's Capital), forming an economic corridor through southern China and Southeast Asia.

The two wings are Pan Beibu Gulf economic zone and Great Mekong Sub-region (GMS) economic cooperation. Pan Beibu Gulf economic zone extends from Beibu gulf that only covers Chinese Guanxi and Vietnam to Malaysia, Singapore, Indonesia, Philippines, and Brunei. Basically, the Pan Beibu Gulf economic zone is designed to increase sea transportation routes, exploit and share the resources around Pan Beibu Gulf that will facilitate economic activities among China and ASEAN states around the region. The Great Mekong Sub-region economic cooperation involves all the countries connected with the Mekong River such as Myanmar, Laos, Thailand, Cambodia, Vietnam, and Southern China. The Mekong River is the only river passing through all six states. The Asian Development Bank originally funded the GMS in 1992. However, due to the shortage of funds and unclear policy goals, the GMS program did not develop well until China took an active role in supporting the GMS in order to intensify China-ASEAN economic relationship. In 'Framework Agreement on Comprehensive Economic Co-Operation Between ASEAN and the People's Republic of China' signed in 2002, Mekong river development is listed in one of the five priority sectors to strengthen

economic cooperation²¹. China urged the construction of railways and highways linking Chinese and ASEAN commercial cities. In the 3rd GMS economic cooperation conference in 2008, Chinese premier minister Wen Jiabao proposed enhancing China-Thailand cooperation in order to accomplish Kunming-Bangkok Highway by 2011 and to fund 20 million RMB in a bid to expedite the construction of Trans-Asian railway that connects China and six ASEAN states²².

In addition to sub-regional economic strategies, China also developed bilateral economic relationships with individual ASEAN states. For example, China's 'two corridor and one circle' strategy, will build two transportation systems that link Kunming (China) – Lao Cai (Vietnam) – Hanoi (Vietnam) – Hai Phong (Vietnam) – Quang Ninh (Vietnam), and Nanning – Lang Son (Vietnam) – Hanoi – Hai Phong – Quang Ninh respectively, further boosting economic activities between southern China and Vietnam. The two 'corridors' can also enrich the economic activities and resource development around Beibu Gulf economic zone. Another example of China's bilateral economic cooperation is in China-Malaysia cooperation. At the China-ASEAN Summit in 2006, Chinese premier minister Wen Jiabao and Malaysian Prime Minister Abdullah Badawi

²¹ Framework Agreement on Comprehensive Economic Co-Operation Between ASEAN and the People's Republic of China 2002.

²² Wen Jiabao Offers Eight Proposals for GMS Economic Cooperation 2008.

announced a cooperative plan that Malaysia's state-owned energy company will provide 3.03 million tons of Liquefied Natural Gas annually over the next 25 years. This 25 billion US dollars contract is the largest China-Malaysia deal (Storey 2006).

With China's activism in strengthening the infrastructure that further facilitate China-ASEAN economic activities, the economic ties between China and ASEAN is built on both multilateral and bilateral relations. These relations are meant to forge an economic community in East and Southeast Asia.

Applicability of realism and constructivism

According to the current trend in China-ASEAN trade relations, China-ASEAN economic relationship reflects a non zero-sum game more than a zero-sum game. As China's economy grows the benefits are also shared with ASEAN states. According to strict trade figures, China imports raw materials from ASEAN member states and exports final goods to these countries. This presents a picture of exploitation (i.e. neo-colonialism) and realist zero sum game. Also, as China's surplus earned from EU and the U.S. increases, ASEAN states' surplus with China decreases. However, when one takes into account the broader economic policies and infrastructure investments, the China-ASEAN trade relation is more complementary than competitive. China did not narrowly utilize its

advantage to exploit ASEAN states. In addition, ASEAN states' welcomed China's sub-regional strategies. This illustrates that China's foreign policy behavior benefits regional economy as well as its own welfare. Overall, China-ASEAN economic relationship is a non zero-sum game where both sides can obtain absolute gains.

FDI inflow is a significant concern for ASEAN states. Some leaders of ASEAN member states expressed concern about China's FDI inflow that crowded out their own and developmental opportunities. Also, ASEAN states feared that zero tariffs within ASEAN-China free trade area may harm their labor-intensive industries²³. Realists may argue that China's growing FDI inflow illustrates a zero-sum game within China-ASEAN economic relationship where China acquired the relative gains. However, China did not exploit their economic advantage to suppress ASEAN states' opportunities for investment. There is no clear evidence to support the assumption that China is intended to squeeze relative gains from China-ASEAN economic cooperation. Rather, China attempted to compensate ASEAN states by encouraging more FDI to ASEAN member states and import more products from ASEAN states²⁴. This does not reflect the realist assumptions.

By strengthening economic ties in East Asia, China has reshaped its own foreign policy identity and how ASEAN member states perceive China. Realists might point out

²³ Ministry of Commerce Encourages Investment in ASEAN 2010.

²⁴ Ministry of Commerce Encourages Investment in ASEAN 2010.

that sub-regional economic strategy is just a way for China to enhance its economic influence on ASEAN states, and eventually dominate the regional economy. The logic behind cooperation is still realist. However, the key point is that China's economic interest is more regional (community)-based than strictly selfish; China's foreign economic policies took into consideration regional economic security rather than its own narrow economic security interests. For example, during financial crises in 1997 and 2008, China did not adopt beggar-thy-neighbor policy or protectionism to save its economy at the expense of others. Rather, it enhanced investment and cooperation with ASEAN states. China's understanding of economic security is increasingly cooperative with ASEAN. Therefore, constructivism is more applicable than realism to explain the development of China-ASEAN economic relationship.

Institutional Power

South China Sea dispute

Spratly islands dispute is a true test of ASEAN's institutional power. The key point is whether China and ASEAN states can resolve this sensitive dispute through multilateral dialogues rather than military confrontation. The Spratly islands in South China Sea are a collection of coral reefs, atolls and sand bars covering seventy thousand square miles,

whose sovereignty is partly or wholly claimed by China, Taiwan, Vietnam, Malaysia, Brunei and the Philippines (Dosch 2008, 164). Initially, China refused to deal with the sovereignty controversy on Spratly Islands through multilateral negotiations and stated that China will only deal with other sovereign nations bilaterally. Even it signed the 1996 UN Convention on the Law of the Seas (UNCLOS), which is an international law allowing states to address sea disputes multilaterally (Jones & Smith 2007, 177). In 2002, China signed the Declaration of the Conduct of Parties in the South China Sea that reaffirmed UNCLOS, ASEAN's Treaty of Amity and Cooperation (TAC), and China's five principles of peaceful coexistence²⁵ (Jones & Smith 2007, 178). However, in 1994, China formally became a full participant of the ARF and began to attend the annual ARF meeting, symbolizing the beginning of multilateral dialogues between China and ASEAN states (Cheng-Chwee 2005, 103). In 2003, China signed the TAC that stresses the principle of nonintervention on ASEAN members' internal affairs²⁶ (Jones & Smith 2007, 178). This suggests that China's posture toward multilateral dialogue over the Spratly islands changed from awareness to acceptance. In 1994, China was not willing to discuss

²⁵ The Five Principles are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. Chinese former Premier Zhou Enlai set the principles ensuring the diplomatic attitude to the relations between China and India in Tibet. Afterward, The Five Principles became China's substantial rules to engage other states. See Five principles of peaceful coexistence.

²⁶ See Treaty of Amity and Cooperation in Southeast Asia, Bali, 24 February 1976.

Spratly islands dispute in the ARF meeting (Evans 2003, 748). In the 1997 ARF meeting, China accepted a motion to discuss this problem multilaterally for the first time (Evans 2003, 752). In 2000 the ARF meeting, China initiated 'Regional Code of Conduct in the South China Sea', which offers joint development in this area (Evans 2003, 753). To sum up, China's foreign policy toward Spratly Islands veered from bilateralism to multilateralism where the problem of Spratly Islands was discussed among related parties collectively after its signature of the Declaration of the Conduct of Parties in the South China Sea and TAC (Jones & Smith 2007, 178).

Despite of China's friendly posture toward South China Sea dispute, it is still doubtful that China will fully abide by the ASEAN Way to resolve this dispute. Jones and Smith suggest that China just utilized the nonintervention principle to exclude America's involvement by treating Spratly Islands as a neighborhood watch issue (Jones & Smith 2007, 179). In addition, China also used nonintervention principle to support Taiwan sovereignty issue that China considers as an internal affair (Jones & Smith 2007, 179). Thus, China's approach to multilateral security retains a strong unilateral intention.

Furthermore, the rising military presence of several countries in the South China Sea suggests the limited function of the ARF to resolve territorial disputes. Several ASEAN member states and China have attempted to enhance their military power in South China

Sea. Reportedly, China dispatched five naval vessels and two submarines to South China Sea in early 2008 (Mitton 2008) and deployed new navy patrols in the South China Sea on April 2010 (Richardson 2010). Vietnam recently purchased six Russian-made Kilo submarines and 12 Sukhoi Su-30MK2 jet fighters. This is the largest military acquisition since the end of Vietnam War and this expanded Vietnam's military power in the South China Sea (Torode & M. Chan 2009). Malaysian Defense Minister Ahmad Zahid said that Malaysia would acquire more submarines to maintain Malaysia's presence in South China Sea and India Ocean²⁷.

It also appears that China is still reluctant to resolve the South China Sea dispute through multilateral dialogue. Vietnam, who has the fiercest dispute with China on South China Sea problem, is the rotating chair of ASEAN in 2010 and will hold ASEAN Defense Ministers' Meeting Plus (ADMM Plus) in Hanoi on October 2010. China privately warned Vietnam that if Vietnamese government insists on discussing the South China Sea problem in ADMM Plus, China will not participate this meeting (Qiu 2010). One senior official within ASEAN reacted to the Chinese official statement with dismay and said that the statement is a denial of ASEAN states' right to discuss security issues (Qiu 2010). Vietnamese representative stressed that discussing the South China Sea

²⁷ Malaysian DM: Malaysia may acquire more submarines 2009.

dispute is not ASEAN states' collective opposition against China, but rather a way to resolve dispute peacefully (Qiu 2010). Therefore, China's agreement on TAC and multilateral dialogue are not consistent with its current foreign policy behavior. China was still aware of multilateral dialogue as a way to deal with sensitive sovereignty problem.

China's influence in ASEAN institution

1997 and 2008 financial crises consolidated the institutionalization of economic and financial cooperation between China and ASEAN. During the 1997 East Asian financial crisis, the economies that suffered the most serious damage (mainly South Korea, Thailand, Indonesia, and Malaysia) needed immediate financial aid, but America was reluctant to directly help them. China, as a relatively unaffected state made a bold decision - refuse to devalue its currency (Kurlantzick 2007, 69). These wrecked economies appreciated China's decision because China did not narrowly benefit itself at the expense of the Southeast Asian nations (Kurlantzick 2007, 69). With the lack of immediate U.S. action, ASEAN countries turned to aggrandize ASEAN's function and expand the organization in order to ensure their future economic security (Kurlantzick 2007, 70). By the end of 1997, China, South Korea, and Japan were invited to participate

the first ASEAN Plus Three (APT) Summit with the commitment to multilateral cooperation and enhance economic integration. Despite some early misgivings of multilateral diplomacy, China was gradually played a substantial role to bolster the multilateral system in ASEAN and proposed some initiatives contributing to regional economic stability, such as the Chiang Mai Initiative (CMI)²⁸ in 2000 and the proposal for joint Free Trade Agreement (FTA) with Japan and South Korea (Gilson 2006, 222). The APT has also contributed to the regional economy greatly as well. For example, the currency swap arrangements in APT built an important financial reserve that could prevent from serious monetary shortage. By early 2004, the cumulative value of these swap arrangements reached \$36.5 billion (Gilson 2006, 209). In addition, China strongly backed Malaysia's initiative to expand APT's scale to include security issues by establishing East Asia Summit (EAS) in 2004 (Simon 2008, 209). China and ASEAN signed ASEAN-China Free Trade Area (ACFTA) agreement in 2004 that created the largest free-trade zone in terms of population in 2010. Due to China's active participation and contribution, ASEAN has linked its economic future with its relation with China

²⁸ Chiang Mai Initiative aimed at initiating further cooperation on monitoring capital flows and building swap networks in order to prevent from the re-occurrence of financial crisis aroused from uncontrolled capital flows. In response to the global financial crisis occurred in September 2008, China, Japan, and South Korea made a commitment to expand the swap lines in a bid to deepen Chiang Mai Initiative and stabilize regional financial and economic order. See The Joint Ministerial Statement of the ASEAN + 3 Finance Ministers Meeting; Towards a co-ordinated macroeconomic expansion among Asian economies 2008.

(Gilson 2006, 222).

The 2008 global financial crisis is also a significant event that highlights China's monetary status in this region. In 2008, the American financial crisis erupted and sent shock waves throughout the world economy. The significant decline in American consumption caused a dramatic drop in East and Southeast Asian exports to the U.S. In response, China, South Korea and Japan announced an expansion of the currency swap arrangement based on the Chiang Mai Initiative in order to prevent the collapse of regional economies. By the end of 2009, China, Japan, South Korea and ASEAN states signed Chiang Mai Initiative Multilateralization (CMIM) agreement that offered 120 billion US dollars to bolster regional currencies. China and Japan contributed 32% each of total amount respectively (together they covered 64%), South Korea provided 16%, and ASEAN states supplied the remainder²⁹. It is possible that China and Japan had their own interest in dominating the fund for the Chiang Mai Initiative. However, Japan remains the leading investor in development funds. Japan's capital in the IMF and Asian Development Bank is much higher than China. Japan maintains 6.2% of capital in IMF and 12.9% in ADB, while China has only 3.8% in IMF and 5.5% in ADB (Changxun 2009). China's capital in CMIM reserve pool is currently equal to Japan's capital, and this

²⁹ Asian Foreign-exchange Reserve Pool Signed 2009.

appears to be a successful attempt by China to undermine Japan's regional institutional influence (Changxun 2009).

China's large contribution to the joint foreign reserve pool enhances China's institutional power in ASEAN. This not only reflects China's influence in the economic realm, but also demonstrates China's role in building institutions and establishing norms. While announcing to build foreign reserve pool jointly, Chinese prime minister Wen Jiabao said that ASEAN Plus One (China), ASEAN Plus Three, and East Asia Summit have created a good basis for East Asia community³⁰. Chinese foreign ministry also said that shaping East Asia community is the future direction of boosting East Asian cooperation³¹. This is the first time Chinese prime minister mentions East Asia community publicly. In previous ASEAN meetings, what members mentioned is ASEAN community rather than East Asia community. This implies that China is using its economic power and new confidence to influence the regional order and institutional power as well as shaping ASEAN's norms and rules. Thus it is possible that China is shaping ASEAN's institutions rather than socialized into ASEAN's norms.

Another example is the 2nd APT summit. China took the lead to organize the financial meetings where the deputy governors of APT central banks regularly discuss financial

³⁰ ASEAN community and East Asia community 2009.

³¹ ASEAN community and East Asia community 2009.

cooperation. China used the APT as a platform to boost East Asian cooperation as well as to enhance its influence in regional order (Cheng-Chwee 2005, 109).

Although China's initiatives contribute to regional cooperation, China tried to control the direction for its own national benefit. The negotiation over East Asia Summit (EAS)'s membership is an example. The EAS was a Malaysian proposal that tried to extend cooperative issues from economic agenda to "security, democracy, good government, the rule of law, every aspect of human security." (Simon 2008, 209) China strongly supported Malaysian proposal to exclude the U.S. from EAS (Simon 2008, 209). However, the EAS still included some of America's allies—New Zealand, Australia, and India because other East Asian countries feared China's potential domination in this region (Simon 2008, 209).

Applicability of realism and constructivism

While China is enthusiastically involved in ASEAN institutions and proposed constructive initiatives, realist behavior is still embedded in China's cooperative engagement with ASEAN states. China is gradually willing to discuss security issues on a multilateral basis in ARF, but it is still reluctant to address South China Sea dispute in ARF. Superficially, China respects multilateral mechanism, but privately resists

multilateral dialogue in sensitive cases. Like the case mentioned above, China privately warned Vietnam not to list South China Sea dispute in ADMM agenda and otherwise China will not attend the ADMM Plus meeting (Qiu 2010). Furthermore, China did not publicly oppose the U.S. military presence in Southeast Asia, and even supported U.S. presence in this region. In the process of forging regional community, however, China managed to cautiously exclude the U.S. influence from Southeast Asia. China's support for Malaysia's EAS proposal to exclude the U.S. alliance is a case in point.

It is undeniable that China's engagement with ASEAN states was becoming more cooperative than before, but it is also attempting to ensure that cooperation is under China's control without undermining its core interests. Despite China's increasing participation and cooperation in ASEAN-led institutions, China's vigilance against ASEAN's united stance on traditional security issues such as South China Sea issue and U.S. indirect containment did not diminish. Indeed, within the realm of sovereignty issues, China is still more concerned with the relative gains of regional states and America.

Nevertheless, China is playing a greater role in developing regional cooperation by encouraging mutual benefits (i.e. absolute gains) rather than narrowly supporting traditional security and a zero-sum outcomes (i.e. relative gains). The "Framework Agreement on Comprehensive Economic Cooperation" between China and ASEAN in

2002 encouraged Japan and South Korea to build closer institutional relationships with ASEAN. ASEAN-Japan Comprehensive Economic Partnership was signed in April 2008, while the Framework Agreement on Comprehensive Economic Cooperation was signed by South Korea and ASEAN in December 2005. During 1997 financial crisis, China's decision not to depreciate RMB won Southeast Asian states' trust, stepping up China-ASEAN institutional relationship. After 2008 global financial crisis, China was expected to play a greater role in the economic recovery amid the disappointment with the U.S. power. Indeed, China's participation further strengthened East Asian regional economic cooperation. The extension of CMIM is a case in point.

Yet, realism is not a more appropriate explanation than constructivism in China-ASEAN institutional relationship rather it is part of the mix and complexity of this relationship. Neither realism nor constructivism can fully explain China-ASEAN relationship. Admittedly, ASEAN did socialize China into the international community to some extent, decreasing fears associated with multilateral security issues in ARF and increasing its willingness to strengthen cooperation in many ways. However, there was limited change in China's regional identity. Suspicions of ASEAN's united stance with the U.S. as well as possible US containment policy against China remained. China attempted to influence ASEAN institutions in favor of its own interests while rhetorically

supporting ASEAN's pivotal role in regional cooperation³². China's foreign behavior toward ASEAN institutions reflects realist intentions; China tried to enhance its relative gains to acquire a dominant position in ASEAN. To sum up, both constructivism and realism can partly explain China-ASEAN institutional relationship; China was socialized by ASEAN to some extent, but its realist intentions remain.

Part IV. Conclusions

Realism and constructivism have different explanatory power regarding the China-ASEAN military, economic, and institutional relationships. In military relationship, constructivism is more applicable than realism. China's military posture toward multilateral institution, ARF, changed from vigilant to acceptance. Protecting regional non-traditional security is the main purpose for military cooperation in Southeast Asia and therefore military cooperation is less zero-sum than non zero-sum game in this area. Many non-traditional security issues in ARF also eased China's awareness to cooperate with ASEAN states. Also, frequent joint anti-terrorist military exercises between the U.S.

³² China's official talk shows it takes ASEAN as a pivotal role in regional cooperation. For example, Chinese prime minister Wen Jiabao said, "China consistently supports ASEAN's leading role in regional affairs and regional cooperation... We should keep close coordination and cooperation on major regional and international issues and ensure that ASEAN remain at the core of East Asia cooperation and that 10 + 3 serve as the main vehicle in East Asia cooperation." See Full text of Premier Wen Jiabao's speech at China-ASEAN summit 2006.

and ASEAN states did not arouse China's suspicions.

In institutional relationship, both constructivism and realism are applicable. Constructivism explains why China became more comfortable in engaging with ASEAN states via multilateral dialogues in ASEAN-led institutions. China-ASEAN cooperation through these institutions became more solid and intensive. Compared with China's previous experience with ASEAN institutions in the 1990s, China's foreign policy behavior towards international institutions also changed, from distrust to acceptance. However, realism explains China's intention to extend its role through institutional cooperation in order to reduce US influence in the region. Moreover, although China-ASEAN military relationship were eased in the non-traditional security areas and cooperation, traditional security – South China Sea dispute – presents significant challenges to the cooperative mechanism in ARF. Even though China accepted the multilateral mechanism in ARF, such as CBMs and preventative diplomacy publicly, China still managed not to discuss South China Sea issue on a multilateral basis. Therefore, China is only partially socialized into ASEAN-led institutions. While China's foreign policy behavior becomes more cooperative and moderate, some realist intentions are still embedded in China's attempt to forge institutional bond with Southeast Asia.

Still, constructivism is more applicable than realism when explaining the China-ASEAN economic relationship. China-ASEAN economic relationship is a non-zero sum game. The more China's economy grows the more benefits ASEAN states can share. Although FDI inflow to China tends to crowd out FDI inflow to ASEAN member states, China attempts to compensate ASEAN states through greater Chinese investment and cooperation in ASEAN states. This does not reflect realist behavior. Furthermore, China's identity is closely tied to domestic and regional economic development is significant factor in regional economic cooperation. China's sub-regional economic strategy is based on the understanding of collective economic security rather than narrow economic security issues. Compared to China's economic development based on autarky in the past, China's regional identity changed.

Overall, it is hard to apply either realism or constructivism to explain the development of China-ASEAN relations. The relationship between China and ASEAN is complex and dynamic. Therefore, it is important to examine issue specific explanations of China-ASEAN relationship when applying the realist and constructivist assumptions.

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